



*Not Ind*  
Prime Minister (2)

The Treasury seem  
to be injecting some

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momentum into this  
necessarily large and

Michael Scholar Esq  
No. 10  
LONDON  
SW1

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*[Handwritten flourish]*  
unweildy process.

Dear Michael,

To note.

ACTION ON NATIONALISED INDUSTRIES

M/S a/g

The Chancellor recently had prepared within the Treasury a summary note bringing together the various strands of action which the Government has in hand on the nationalised industries. By definition, there is nothing new in this - it simply sets out in an organised framework matters which Ministers have in general already considered and agreed. The Chancellor thought however that the Prime Minister might find it useful for backbround reference, and I attach a copy accordingly.

I am sending a copy also to Richard Hatfield and Gerry Spence.

Yours ever,  
*Peter*

P S JENKINS  
Private Secretary

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NATIONALISED INDUSTRIES : ACTION CHECKLIST

The following action checklist has been prepared following a review within the Treasury of action to implement the general directions of present Government policy towards the nationalised industries. These directions relate to the need to secure greater efficiency, first, by maximising competition and exposure to market forces, which would take the form of privatisation wherever this was achievable; second, by sustained and determined use of the existing framework for controlling those industries (largely monopoly providers of essential services) when market forces could not be introduced either through privatisation and/or competition.

2. Action towards these objectives can be conveniently grouped under 3 headings:
- (i) privatisation and competition;
  - (ii) strengthening the framework of control; and
  - (iii) improving the quality of Chairmen and Board Members.

The checklist summarises work already in hand and indicates the areas where the case for greater effort or new initiatives is recognised.

(i) Privatisation and Competition

- (a) Pursue existing privatisation programme energetically.

BNOG (November/December 1982, subject to favourable market conditions); BTBD (January 1983, subject to resolving dispute over Port Talbot and BSC); BFC - Wytch Farm (early 1983); BGC - North Sea oil assets (possibly summer 1983); BA (possibly autumn 1983); BT (legislation in 1982-83 session, initial asset sales immediately following a General Election).

Action: To ensure that all the legislative and administrative steps are taken to time (Sponsor Departments and Treasury).

- (b) Ensuring continued pipeline of privatisation cases.

Action: Need to follow up Prime Minister's recent minute to E(DL) (now circulated to other Cabinet members) asking for candidates by September. These need to cover both the smaller cases where

privatisation action might be taken in this Parliament and also ideas for a programme for the next Parliament. The latter should include plans involving the major monopoly utilities. (Sponsor Departments and Treasury).

(c) Action on major monopolies.

Action: Partly covered by (b). In addition CPRS on-going study for reducing monopolies. Major section on privatisation. Report by autumn. (CPRS, in discussion with the Treasury and Sponsor Departments.)

(d) Increasing competition, strengthening market pressures, role of private finance.

Action: To encourage Departments and industries to suggest ways of introducing greater competition and market discipline into industries particularly monopolies; including viable proposals for private capital (e.g. bond-type finance, project finance, joint ventures, franchising, contracting out, etc.).

Action: Sponsor Departments and Treasury. Treasury participation in Working Parties for BR, BAA. Action under (b) and (c) also relevant.

(ii) Strengthening the Framework of Control

(a) Setting strategic objectives.

Programme in hand for all industries; need to be explicit about business and social objectives.

Action: Sponsor Departments, CPRS and Treasury.

(b) Setting tight EFLs.

Annual programme through the IFR culminating in EFL-setting in the autumn. Effective monitoring throughout the year.

Action: Sponsor Departments and Treasury.

(c) Financial targets.

In operation for virtually all industries. Need to re-set when they expire and to monitor throughout. Should be explicitly related to strategic objectives.

Action: Sponsor Departments and Treasury.

(d) Performance aims.

In place for little more than half the industries. Further push needed to get them accepted for all industries.

Action: Treasury and Sponsor Departments

(e) Improved monitoring.

To achieve better understanding of the industries as businesses and early warning of likely problems.

Action: Sponsor Department to agree and implement improved arrangements with the industries.

(f) Efficiency

External (MMC and management consultants): Need to ensure that the enhanced programme rolls forward with adequate references in number and quality, and with effective follow-up.

Action: Department of Trade, Treasury, Sponsor Departments.

Internal: Encourage the industries to improve their own arrangements for monitoring efficiency, e.g. by internal Efficiency Audit Committees or moving towards VFM auditing.

Action: Sponsor Departments, Treasury, CPRS.

(g) Annual Corporate Plan appraisal and performance review.

Need to consolidate and build on the new system after initial trial year (1982), so that proper business strategies are developed.

Action: Treasury and Sponsor Departments.

(h) Determination of levels of investment.

Ensure better appraisal of investment programmes and projects with sound methods and standards of appraisal by all industries.

Action: Sponsor Departments, Treasury.

(iii) Improving the Quality of Chairmen and Board Members

(a) Selection procedures.

Need for early and effective action by Sponsor Departments to ensure that vacancies are filled in a timely manner. Greater role for PAU both as a clearing house for approaching candidates and for a more active input into departmental selection and appointment processes.

Action: Treasury has initiated consultation with PAU/MPO. Sponsor Departments and NICG will need to be involved later.

(b) Need for better Board structures.

e.g. Smaller Boards, majority of non-Executive Directors, on lines of CPRS report.

Action: Sponsor Departments, reporting centrally with timetable for action.

(c) Contracts of service, compensation, etc. for Chairmen and Board Members.

Action: Treasury/MPO to consider what improvements are possible and worth pursuing. Subsequent discussions with NICG.

(d) Board Members' pay.

Sponsor Departments to put proposals for 1982 to Treasury for individual industries.

Action: Sponsor Departments.

Treasury and NICG Working Party on performance-related pay for 1983 and following years.

Action: Treasury.